

VZCZCXRO6076
RR RUEHDE RUEHDH
DE RUEHCV #0768/01 1731912
ZNY CCCCC ZZH
R 221912Z JUN 09
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC 3234
INFO RUEHHH/OPEC COLLECTIVE
RUEHAC/AMEMBASSY ASUNCION 1007
RUEHBO/AMEMBASSY BOGOTA 8002
RUEHBR/AMEMBASSY BRASILIA 6148
RUEHLP/AMEMBASSY LA PAZ 2898
RUEHPE/AMEMBASSY LIMA 1181
RUEHSP/AMEMBASSY PORT OF SPAIN 3720
RUEHQT/AMEMBASSY QUITO 2995
RUEHSG/AMEMBASSY SANTIAGO 4125
RUEHDG/AMEMBASSY SANTO DOMINGO 0653
RUEHKO/AMEMBASSY TOKYO 0157
RHEHNSC/NSC WASHDC
RHEHAAA/WHITEHOUSE WASHDC
RHEBAAA/DEPT OF ENERGY
RUCPDOG/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RUMIAAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000768

SIPDIS

ENERGY FOR CDAY AND ALOCKWOOD, DOE/EIA FOR MCLINE
HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR RJARPE
COMMERCE FOR 4332/MAC/WH/JLAO
NSC FOR RKING

E.O. 12958: DECL: 06/18/2019
TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [VE](#)
SUBJECT: VENEZUELA: CONTINUES TO COURT JAPANESE INTEREST

REF: A. CARACAS 495
[B](#). TOKYO 615
[C](#). TOKYO 951

Classified By: Economic Counselor Darnall Steuart, for reasons 1.4
(b) and (d).

[1](#). (C) During a June 15 Japanese embassy-hosted farewell dinner in honor of A/DCM and PolCon, Japanese Ambassador Shuji Shimokoji discussed bilateral relations with Venezuela, Minister Ramirez's travel to Tokyo, and the new Venezuelan petrochemical law. He stated that Prime Minister Aso placed a call to President Chavez on May 20 to request Chavez's personal intervention in getting foreign exchange authorizations approved for Toyota and for help resolving a labor problem with its auto factory. (NOTE: The labor problem was sparked by the May 5 murder of a labor leader who represented Toyota Motor Corp's Venezuelan division. END NOTE) Within half an hour of the phone call, the labor situation was resolved and Toyota soon thereafter received foreign exchange authorization from CADIVI, VenezuelaQ,s foreign exchange board. According to Shimokoji, the Prime Minister was impressed with Chavez's responsiveness.

[2](#). (C) Minister of Petroleum and Energy Rafael Ramirez has traveled to Tokyo three times in the last three months. He met with the Prime Minister on each of the trips. His March trip was to lay the foundation for President Chavez's April 5-7 visit to Tokyo. He accompanied Chavez in April during which the Venezuelan's claimed twelve accords were signed. The purpose of Ramirez's May trip was to follow-up on those accords. Shimokoji noted that Ramirez's negotiating posture has become more hard-line as the price of oil has increased. According to the Ambassador, the Japan Bank for International Cooperation (JBIC) is close to finalizing the terms of its proposed \$1.5 billion loan to Venezuela for petroleum refinery upgrades. He added, however, that JBIC is concerned about this loan as well as the proposed Japanese-Venezuelan Development fund (similar to the

Sino-Venezuelan Fund) due to current economic conditions and the deteriorating market situation in Venezuela. JBIC's concerns seem to be falling to the wayside as domestic Japanese political interests may be gaining ground in the negotiations.

¶3. (C) Ambassador Shimokoji expressed concern regarding the possible negative impact on Japanese chemical companies by the new Venezuelan law on Petrochemicals. The law, passed in the first of two readings by the National Assembly on June 9, reserves to the government all petrochemical activities in the country. Citing public utility and economic sovereignty issues, the law provides that the government-owned petrochemical company, Pequiven, will have a minimum fifty per cent share in all petrochemical companies in Venezuela, the formation of mixed companies will need to be approved by the National Assembly, and does not include the possibility of international arbitration in contracts. (NOTE: The National Assembly passed the law in its second reading on June 16. The final text has not been published yet in Venezuela's Federal Register equivalent.)

¶4. (C) COMMENT: Although we have not seen the final text of the petrochemical law, early press reports lead us to believe that it is possibly less draconian than the recent law reserving to the state all primary activities in the oil services sector, which has led, since early May, to the expropriation of nearly eighty domestic and international companies. If so, we believe this is due to Japanese involvement in the petrochemical industry. For instance,

CARACAS 00000768 002 OF 002

press reports indicate that the new law does not mandate the sixty percent Venezuelan share, which has been the rule in all petroleum joint ventures. END COMMENT.

CAULFIELD